

CITY STORES COMPANY

and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

JANUARY 31, 1941

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DIRECTORS

GUSTAVE G. AMSTERDAM	Philadelphia, Pa.
LOUIS N. BATOFF	Philadelphia, Pa.
ALFRED BLASBAND	Philadelphia, Pa.
SAUL COHN	Newark, N. J.
WILLIAM D. GORDON	Philadelphia, Pa.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
GEORGE H. JOHNSON	Philadelphia, Pa.
JOHN B. KNOX	Philadelphia, Pa.
JOSEPH H. LOVEMAN	Birmingham, Ala.
PAUL H. SAUNDERS	New Orleans, La.
HARRY W. SCHACTER	Louisville, Ky.
AARON R. SCHARFF	Memphis, Tenn.
HERBERT J. SCHWARTZ	New Orleans, La.
JOHN J. TURTELTAUB	New York, N. Y.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>President</i>
DR. WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
LOUIS N. BATOFF	<i>Secretary</i>
IRWIN S. JOSEPH	<i>Assistant Secretary and Assistant Treasurer</i>

TRANSFER AGENT CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York, N. Y.

REGISTRAR THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

AUDITORS ERNST & ERNST
19 Rector Street, New York, N. Y.

April 29, 1941.

To the Stockholders of

CITY STORES COMPANY:

The Annual Report of your Company for the fiscal year ended January 31, 1941 is presented herewith, together with a report by independent auditors, Messrs. Ernst & Ernst.

There is submitted a balance sheet at January 31, 1941 of City Stores Company (individually) and a consolidated balance sheet of City Stores Company and subsidiaries at the same date. There is also submitted a statement of profit and loss and surplus of your Company for the fiscal year ended January 31, 1941, and a consolidated statement of profit and loss and surplus of your Company and subsidiaries for the fiscal year. The consolidated profit and loss statement also includes comparative figures for the two preceding years.

For the information of our stockholders there are also included separate balance sheets of each of the groups of subsidiary companies at January 31, 1941.

For convenience we continue the practice of giving in this letter some comparative figures in presenting the results of operation and the progress of the Company and its subsidiaries.

SALES AND EARNINGS

Net sales for the fiscal year, including sales of leased departments, amounted to \$45,222,974 compared with \$41,450,776 for the preceding year, an increase of 9.1%, and were substantially higher than for any year during the past decade. In the following summary the total annual sales for the past five years are presented:

FISCAL YEAR ENDED JANUARY 31,	TOTAL NET SALES
1941.....	\$45,222,974
1940.....	41,450,776
1939.....	36,850,877
1938.....	40,184,459
1937.....	38,436,183

Net earnings of the subsidiary companies for the past fiscal year amounted to \$2,415,104 compared with \$1,937,097 for the preceding year. These figures are before deduction of federal and state taxes on income, minority interest proportion and interest on your Company's funded debt, but after elimination of inter-company dividends. For the past five years the earnings were as follows:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT OF SUBSIDIARIES BEFORE DEDUCTIONS STATED ABOVE
1941.....	\$2,415,104
1940.....	1,937,097
1939.....	634,138
1938.....	1,521,520
1937.....	1,694,013

For each separate group of subsidiary companies, earnings for the past year on the basis above outlined compare with the four preceding years as follows:

	FISCAL YEAR ENDED JANUARY 31,				
	1941	1940	1939	1938	1937
Lit Brothers, Philadelphia, Pa. and subsidiary companies.....	\$1,351,006	\$1,061,077	\$201,851	\$ 822,707	\$1,102,780
Maison Blanche Company, New Orleans, La., and its subsidiary companies (Homecraft Finance Corporation and Maison Blanche Realty Company) excluding dividends received from wholly owned subsidiary	526,234	454,845	336,518	338,661	317,997
Loveman, Joseph & Loeb, Birmingham, Ala., and its subsidiary (Home Furnishing Finance Corporation).....	303,176	245,238	152,229	199,323	151,866
B. Lowenstein & Bros., Inc., Memphis, Tenn. and its subsidiary company (Homecraft Finance Corporation of Memphis).....	178,642	141,706	25,661*	107,245	115,222
Kaufman-Straus Company, Inc., Louisville, Ky., and its subsidiary company (Homecraft Finance Corporation of Louisville)	56,084	34,239	31,512*	52,887	5,895
Kenville Realty Company, Louisville, Ky..	— 0 —	— 0 —	717	716	722
City Stores Mercantile Company, New York City.....	38*	8*	4*	19*	469*
	<u>\$2,415,104</u>	<u>\$1,937,097</u>	<u>\$634,138</u>	<u>\$1,521,520</u>	<u>\$1,694,013</u>

*Indicates loss.

From the earnings of the subsidiary companies amounting to \$2,415,104 for the fiscal year ending January 31, 1941 as shown in the foregoing, there must be deducted the sum of \$375,840 representing the proportion of such earnings applicable to the preferred and common stocks of subsidiaries not owned by City Stores Company, interest on funded debt less sundry items (net) of your Company amounting to \$317,995, and federal and state taxes on income of \$581,307, after which there remains a net profit of \$1,139,962 applicable to City Stores Company, compared with \$859,300 for the preceding year, an increase of 32.6%. The net profit of \$1,139,962 is the largest for any year in the last ten years. The following sets forth the net profit, after all deductions, applicable to City Stores Company, for the past five fiscal years:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT APPLICABLE TO CITY STORES COMPANY
1941.....	\$1,139,962
1940.....	859,300
1939.....	63,846
1938.....	578,268
1937.....	616,776

Provision for depreciation and amortization of buildings, fixtures, equipment and improvements has been charged against earnings during the past fiscal year in accordance with our consistent policy and amounted to \$537,094 compared with \$509,300 for the preceding year.

TAXES

By reason of constantly increasing taxation there is presented in the following table a comparison of our direct tax cost for the past three fiscal years:

	FOR THE FISCAL YEAR ENDING		
		JANUARY 31,	
	1941	1940	1939
Real estate taxes.....	\$ 318,306	\$ 291,243	\$280,790
Pay roll taxes.....	293,995	292,217	272,959
Other taxes.....	186,195	181,421	194,080
Total taxes which have no direct relation to earnings.....	\$ 798,496	\$ 764,881	\$747,829
Federal and state taxes on income.....	581,308	434,389	159,485
TOTAL TAXES.....	<u>\$1,379,804</u>	<u>\$1,199,270</u>	<u>\$907,314</u>

No provision is required for federal excess profit taxes on earnings for the past fiscal year as exemptions available to the companies exceed the income which is subject to that tax under existing law.

FINANCIAL CONDITION

The financial condition of your Company and of each group of subsidiary companies at January 31, 1941 is shown by the accompanying consolidated balance sheet of City Stores Company and subsidiaries and by the separate balance sheets of each group of companies. Adequate reserves have been provided, as in the past, for depreciation and amortization of buildings, equipment, fixtures and improvements, and for all other purposes where required.

Merchandise inventories are conservatively valued on the basis of cost or market, whichever is lower, as computed by the retail inventory method, less adequate reserves. It is an established practice for our subsidiaries at various times during each year to carefully check the condition of merchandise. At the end of each year, the independent auditors, with the managements of our various stores, have supervised the inventory procedure and made tests of quantities and basis of valuation. We regard our inventories to be in good condition and well balanced.

Consolidated net current assets at January 31, 1941 were \$11,769,460, or \$949,430 greater than they were a year ago. Consolidated surplus of City Stores Company and subsidiaries at January 31, 1941 earned since February 1, 1935 amounted to \$3,752,353, an increase of \$1,026,333 over the balance at the beginning of the year.

Mortgage debt has been reduced during the year by \$293,000. In addition the interest rate was reduced on the mortgage of Loveman, Joseph & Loeb from 5% to 4% per annum. There has been an increase of \$751,000 in long term notes payable which represents funds used to finance the installation of major improvements at stores and properties owned by the companies, all at terms and under provisions which are deemed to be advantageous.

FUNDED DEBT OF CITY STORES COMPANY

Interest due on funded debt of your Company during the fiscal year ended January 31, 1941 has been paid. General Collateral Convertible Notes in the amount of \$42,800 and Lit Stock Collateral Convertible Notes in the amount of \$51,000 were retired at par during the year.

As stated in previous reports to stockholders cash dividends from collateral held under indentures first must be used for payment of interest on funded debt and then used to comply with their sinking fund provisions. The related indentures call for annual payments commencing with the year ended October 1, 1935 of \$140,000 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000 per year on 6% General Collateral Convertible Notes. These sinking fund requirements are cumulative, but failure to provide the specified amounts does not constitute a default. As of January 31, 1941 unpaid sinking fund requirements aggregated \$1,127,500.

IMPROVEMENTS

That portion of the building owned by Maison Blanche Realty Company in New Orleans, which is occupied by tenants for office purposes, was air-conditioned during the year and the entire building is now air-conditioned. This, together with the installation of new elevators in the office section, has thoroughly modernized the property.

Reference was made last year in the annual report to stockholders to the new warehouse which was then under construction at Lit Brothers, Philadelphia, and air-conditioning then in process of installation at Kaufman-Straus Company, Inc., Louisville, and B. Lowenstein & Bros., Inc. Memphis. During the past year all of these improvements have been completed.

KAUFMAN-STRAUS VOLUNTARY EXCHANGE AGREEMENT

The balance sheet of Kaufman-Straus Company, Inc., included herein, gives effect to a voluntary exchange agreement with stockholders dated July 8, 1940, declared operative by its Board of Directors on March 28, 1941, under which its outstanding capital stock was changed and reduced from \$1,498,900 to \$1,042,200. The resulting capital reduction was designated as capital surplus, against which an accumulated deficit in the amount of \$279,725 at January 31, 1940 has been applied. All accumulated unpaid and undeclared dividends on \$494,200 par value of 7% cumulative preferred stock exchanged under the agreement were cancelled. In this connection City Stores Company surrendered 2,567 shares of old preferred stock and 10,000 shares of old common stock in exchange for 8,000 shares of new common stock. Your Company and one of its subsidiaries waived all rights and claims to unpaid dividends in the sum of \$247,779 which were accrued and undeclared on the old preferred stock.

As a result Kaufman-Straus Company, Inc. now has only \$242,200 of Preferred Stock outstanding, having an annual dividend requirement of \$12,204, compared with dividend requirement of \$34,923 under its previous capitalization. The deficit formerly shown in this company's financial statements has been eliminated, and at January 31, 1941 it had a surplus of \$219,056, of which \$42,081 was earned since February 1, 1940.

CAPITAL STOCK

At January 31, 1941 there were outstanding 1,210,042 $\frac{4}{12}$ shares of common stock of your Company, of which 501 shares are held in its treasury. These shares constitute the only outstanding capital stock of the Company.

Pursuant to provisions in connection with issuance in 1935 of the Company's common stock of \$5.00 par value per share, of which stockholders were previously advised, holders of old Class A stock of City Stores Company and holders of voting trust certificates therefor may exchange their stock on the basis of one share of the old stock for one share of the new \$5.00 par value common stock. Holders of the old common stock of City Stores Company and holders of voting trust certificates therefor may exchange their stock on the basis of 12 shares of the old stock for one share of the new \$5.00 par value common stock; for whatever fractions may result, cash will be paid at the rate of \$2.60 per share by application to Central Hanover Bank & Trust Company, 70 Broadway, New York, N. Y.

The results reflected by this report could not have been attained without the good will of our customers and the performance and loyalty of our organization.

For the Directors,

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST

19 RECTOR STREET

NEW YORK

April 14, 1941.

BOARD OF DIRECTORS,
CITY STORES COMPANY,
New York City.

We have examined the consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies as of January 31, 1941, and the statements of profit and loss and surplus of CITY STORES COMPANY and the consolidated statements of profit and loss and surplus of that Company and its subsidiaries for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

Our examination included tests of accounts receivable of all the companies by communication with debtors. We were present at stores at appropriate times during the taking of inventories and observed procedures followed by the companies in the determination of quantities and made test counts of quantities. We also made tests of the application of the retail inventory method and of the related computations. Inventories of merchandise were valued (a) with respect to merchandise in stores at not in excess of the lower of cost or market by the retail inventory method and (b) at cost with respect to new season merchandise on hand or in transit. The condition and salability of the inventories were certified to us by the individual store managements.

In our opinion, the accompanying consolidated balance sheet and individual balance sheets and related statements of profit and loss and surplus present fairly the consolidated position of CITY STORES COMPANY and its subsidiaries and of the individual companies at January 31, 1941 and consolidated results of their operations and of the operations of CITY STORES COMPANY for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

CITY STORES COMPANY, NEW

BALANCE

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,766.36
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DEPOSITS UNDER INDENTURES SECURING FUNDED DEBT:

Cash for interest, sinking fund requirements, and retirement of funded debt—Note B.....	\$ 4,908.61	
Dividend note of subsidiary company due January 28, 1943 (pledged as collateral to funded debt).....	199,915.00	204,823.61

INVESTMENTS IN AND ACCOUNT RECEIVABLE FROM
SUBSIDIARY COMPANIES:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$105,427.10 representing dividend paid to City Stores Company by one subsidiary company in capital stock of another subsidiary out of earnings subsequent to January 31, 1935 and plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937—Note A:

Unpledged.....	\$ 62,504.46	
Pledged.....	13,592,293.11	\$13,654,797.57
Account receivable.....	7,909.30	13,662,706.87

DEFERRED CHARGES:

Prepaid tax and expense.....	762.14
	\$13,870,058.98

The notes on following page are an

YORK CITY (Individually)

SHEET

31, 1941

LIABILITIES

CURRENT LIABILITIES:

Notes payable—unsecured.....	\$	95,000.00		
Accounts payable.....		3,653.31		
Accrued accounts:				
Interest on funded debt.....	\$	114,058.00		
Taxes, state franchise, etc.....		7,761.11		
Provision for federal tax on income—estimated		2,000.00	123,819.11	\$ 222,472.42

FUNDED DEBT—Note B:

Ten Year 6% Lit Stock Collateral Convertible				
Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,500,000.00		
Less retired.....		384,000.00	\$ 3,116,000.00	
Ten Year 6% General Collateral Convertible				
Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,000,000.00		
Less retired.....		413,100.00	2,586,900.00	5,702,900.00

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:				
Class A—6% cumulative—authorized and unissued 700,000				
shares (623,200 shares reserved for conversion of Ten Year 6%				
Lit Stock Collateral Convertible Notes)				
Common:	Shares	Shares		
Authorized.....		1,900,000		
Less: Reserved for conversion				
of Ten Year 6% General				
Collateral Convertible				
Notes.....	517,380			
In treasury.....	501			
Unissued and available for				
general corporate pur-				
poses.....	172,577-8/12	690,458-8/12		
Outstanding—Note C.....	1,209,541-4/12	\$ 6,047,706.66		
Surplus:				
Capital surplus.....	\$	1,053,623.05		
Earned surplus (since February 1, 1935)—				
Notes D and E.....	843,356.85	1,896,979.90	7,944,686.56	
			<u>\$13,870,058.98</u>	

CONTINGENT LIABILITY:

Note F

integral part of this balance sheet.

NOTES TO BALANCE SHEET OF CITY STORES COMPANY (Individually)

NOTE A—City Stores Company's portion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1941 amounted to \$16,737,922.75.

NOTE B—Represents \$910.31 to apply against interest and sinking fund requirements on funded debt as of January 31, 1941, and \$3,998.30 for reduction of funded debt. As of January 31, 1941 unpaid sinking fund requirements totalled \$1,127,500.00.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—In accordance with the terms of both indentures securing funded debt of the Company, the Company, so long as any of the 6% Collateral Convertible Notes issued under either indenture are outstanding, will not declare, pay or set apart for payment cash dividend upon its common stock except out of surplus earned subsequent to October 1, 1934. (See note to City Stores Company profit and loss statement).

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income. No provision is required for federal excess profits tax, as exemptions available to this Company and subsidiaries exceed consolidated net income of such companies which is subject to that tax under existing law.

At January 31, 1941, City Stores Company was guarantor of a note payable to bank by a subsidiary company (City Stores Mercantile Company) in amount of \$60,000.00.

CITY STORES COMPANY, NEW YORK CITY (Individually)

PROFIT AND LOSS STATEMENT

YEAR ENDED JANUARY 31, 1941

INCOME:

Dividends received—cash:		
From subsidiary companies.....	\$400,412.00	
Other.....	723.00	\$401,135.00
Payments by subsidiary companies for management, advisory and sales service, less amounts transferred to City Stores Mercantile Company (a wholly owned subsidiary) for buying services.....	133,658.94	
Profit from sale of pledged collateral (preferred stocks of Scruggs-Vandervoort-Barney, Inc.).....	13,003.81	
Interest on dividend note given by subsidiary company.....	7,996.60	\$555,794.35

DEDUCTIONS:

General expenses.....	\$127,497.76	
Excess of expenses over income of City Stores Mercantile Company (a wholly owned subsidiary) transferred to City Stores Company.....	797.80	128,295.56
		\$427,498.79
Interest on funded debt:		
On Ten Year 6% Lit Stock Collateral Convertible Notes....	\$188,308.33	
On Ten Year 6% General Collateral Convertible Notes....	156,774.23	345,082.56
PROFIT BEFORE TAX ON INCOME.....		\$ 82,416.23

FEDERAL TAX ON INCOME:

Provision for the year—estimated.....	2,000.00
NET PROFIT.....	\$ 80,416.23

NOTE A—Cash dividends from collateral held by Trustees under indentures must first be used by Trustees for payment of interest on funded debt and then used to comply with sinking fund provisions of indentures covering funded debt, which specify that annual payments shall be made commencing with the year ended October 1, 1935 of \$140,000.00 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000.00 per year on 6% General Collateral Convertible Notes. Income received from \$199,915.00 note of Maison Blanche Company due January 28, 1943, issued by that Company in payment of a dividend and deposited with Trustee under indenture securing General Collateral Convertible Notes, is to be applied in reduction of funded debt. Under the terms of the indentures provisions for sinking funds are cumulative, but failure to provide the specified amounts does not constitute a default. As of January 31, 1941 unpaid sinking fund requirements aggregated \$1,127,500.00, and Trustees held therefor cash in the amount of \$910.31 at that date.

NOTE B—No provision is required for federal excess profits tax, as exemptions available to this Company and subsidiaries exceed consolidated net income of such companies which is subject to that tax under existing law.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1941

Balance at February 1, 1940.....	\$762,940.62
Add net profit for year.....	80,416.23
BALANCE AT JANUARY 31, 1941.....	\$843,356.85

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,306,721.10	
Marketable securities at quoted market prices.....	55,250.00	
Accounts receivable from customers (including \$4,737,103.86 of installment accounts) less reserves of \$508,958.44.....	9,455,663.73	
Notes and accounts receivable from vendors and tenants, less reserve of \$10,000.00.....	150,479.29	
Merchandise inventories—at retail less accumulated departmental mark-up and reserves of \$141,000.00, as shown in subsidiary company balance sheets.....	5,925,846.62	\$16,893,960.74

CASH WITH DEPOSITARIES UNDER INDENTURES SECURING FUNDED DEBT—Note A:

For interest, sinking fund requirements and retirement of funded debt.....	4,908.61
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INVESTMENTS AND OTHER ASSETS:

Sundry investments, less reserves of \$8,982.16.....	\$ 226,739.93	
Employees and sundry notes and accounts receivable, deposits, etc.	138,104.72	
Claims against closed banks, less reserves of \$41,946.25.....	47,101.34	
Cash surrender value of life insurance.....	38,015.08	
Stock of City Stores Company (516 shares of common stock owned by subsidiaries).....	1,525.01	451,486.08

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note B:

Land.....	\$10,644,332.34	
Buildings, fixtures and equipment.....	\$16,842,620.39	
Less reserves for depreciation.....	6,881,528.23	9,961,092.16
Improvements to leased properties.....	\$ 473,530.76	
Less reserves for amortization.....	203,863.64	269,667.12
		20,875,091.62

GOOD WILL (carried on books of subsidiaries in total amount of \$2,792,158.27).....	1.00
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DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes and expenses.....	314,299.63
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NOTE A—Reference is made to Note B to the balance sheet and Note A to the profit and loss statement of City Stores Company in which the amount of funds available for interest, sinking fund requirements, and retirement of funded debt are stated and provisions of indenture securing funded debt of the Company are given with respect to the effect upon surplus and income available for dividends. A note of \$199,915.00 issued by a subsidiary company to City Stores Company as a dividend, and eliminated in this consolidated statement, has been deposited with Trustee under indenture securing General Collateral Convertible Notes.

NOTE B—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased buildings, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits taxes, as exemptions available to the companies exceed the income for the past fiscal year which is subject to that tax under existing law.

\$38,539,747.68

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1941

LIABILITIES

CURRENT LIABILITIES:

Notes payable:

Banks—for borrowed money.....	\$ 160,000.00		
Bank loan installments due in 1941.....	317,000.00		
Other.....	98,667.16	\$ 575,667.16	

First mortgages:

Installments due in 1941.....	\$ 154,000.00		
Special principal reduction payment (paid February 1, 1941).....	128,000.00	282,000.00	

Accounts payable:

Trade creditors, etc.....	\$2,787,260.86		
Federal and state pay roll taxes.....	63,598.88	2,850,859.74	

Accrued accounts:

Interest on mortgages, salaries, wages, taxes, etc.	\$ 633,417.62		
Provision for federal and state taxes on income—estimated.....	668,498.67		
Interest on funded debt.....	114,058.00	1,415,974.29	\$ 5,124,501.19

DEFERRED LIABILITIES:

Notes payable to banks due 1942-1947.....	\$2,068,000.00		
Less installments included in current liabilities as above.....	317,000.00	\$1,751,000.00	
Paving assessment due subsequent to January 31, 1942.....		2,263.12	1,753,263.12

FIRST MORTGAGES:

Payable by subsidiary companies.....	\$8,616,000.00		
Less amounts included in current liabilities as above.....	282,000.00	8,334,000.00	

FUNDED DEBT—CITY STORES COMPANY—Note A:

Ten Year 6% Lit Stock Collateral Convertible

Notes—due October 1, 1944:

Authorized and issued.....	\$3,500,000.00		
Less retired.....	384,000.00	\$3,116,000.00	

Ten Year 6% General Collateral Convertible

Notes—due October 1, 1944:

Authorized and issued.....	\$3,000,000.00		
Less retired.....	413,100.00	2,586,900.00	5,702,900.00

RESERVES FOR REDEMPTION OF TRADING STAMPS, CONTINGENCIES, ETC.....

613,212.95

DEFERRED INCOME:

Unearned carrying charges on installment sales.....		138,003.66	
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MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par value.....	\$3,953,600.00		
Accrued undeclared dividends to January 31, 1941.....	1,265,369.92	\$5,218,969.92	
Common stock—subsidiary companies.....	\$ 318,062.00		
Surplus applicable thereto.....	309,023.10	627,085.10	5,846,055.02

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares (623,200 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:	Shares	Shares
Authorized.....		1,900,000

Less: Reserved for conversion of
Ten Year 6% General Collateral Convertible Notes.. 517,380

In treasury..... 501

Unissued and available for general corporate purposes.	172,577-8/12	690,458-8/12	
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Outstanding—Note C.....	1,209,541-4/12	\$6,047,706.66	
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Surplus:

Capital surplus.....	\$1,227,751.62		
Earned surplus (since February 1, 1935)—Note D	3,752,353.46	4,980,105.08	11,027,811.74
			<u>\$38,539,747.68</u>

**CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES**

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1941	Year Ended January 31, 1940	Year Ended January 31, 1939
NET SALES, including sales of leased departments....	\$45,222,974.40	\$41,450,776.53	\$36,850,877.65
COST OF GOODS SOLD.....	29,179,577.69	26,689,079.01	24,114,577.65
GROSS PROFIT ON SALES.....	\$16,043,396.71	\$14,761,697.52	\$12,736,300.00
INSTALLMENT ACCOUNT CARRYING CHARGES, ETC..	321,514.23	293,040.51	252,259.52
TOTAL GROSS PROFIT.....	\$16,364,910.94	\$15,054,738.03	\$12,988,559.52
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	13,057,459.95	12,194,276.03	11,507,012.88
	\$ 3,307,450.99	\$ 2,860,462.00	\$ 1,481,546.64
OTHER INCOME:			
Interest.....	48,044.33	40,227.75	31,923.11
Rentals.....	185,333.67	190,686.03	193,746.59
Dividends.....	47,902.25	48,334.00	43,421.87
Discounts earned on expense invoices.....	37,728.29	37,861.26	37,901.00
Miscellaneous.....	75,667.67	49,890.77	52,375.94
TOTAL OTHER INCOME.....	\$ 394,676.21	\$ 366,999.81	\$ 359,368.51
	\$ 3,702,127.20	\$ 3,227,461.81	\$ 1,840,915.15
OTHER CHARGES:			
Interest on mortgages, notes payable, etc.....	482,542.99	473,117.42	450,365.58
Provision for depreciation and amortization....	537,094.43	509,300.15	505,204.29
Provision for sundry charges, doubtful accounts, etc. (net).....	240,298.33	292,532.70	240,444.69
Federal and state taxes on income—estimated	581,307.63	434,389.47	159,484.84
TOTAL OTHER CHARGES.....	\$ 1,841,243.38	\$ 1,709,339.74	\$ 1,355,499.40
	\$ 1,860,883.82	\$ 1,518,122.07	\$ 485,415.75
Less amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary com- panies not owned by City Stores Company.....	375,839.60	311,001.41	71,653.04
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING INTEREST ON FUNDED DEBT.....	\$ 1,485,044.22	\$ 1,207,120.66	\$ 413,762.71
Less interest on City Stores Company's funded debt.	345,082.56	347,820.20	349,916.16
NET PROFIT FOR PERIOD.....	\$ 1,139,961.66	\$ 859,300.46	\$ 63,846.55

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective companies for the three fiscal years. No provision is required for federal excess-profits taxes, as exemptions available to the companies exceed the income for the past fiscal year which is subject to that tax under existing law.

CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1941

CAPITAL SURPLUS:

Balance at February 1, 1940.....	\$1,202,256.92	
Add transfer from minority interest in preferred stock of a subsidiary accrued undeclared dividends on such stock cancelled under a voluntary exchange agreement with stockholders, applicable to periods prior to reorganization of City Stores Company on January 31, 1935.....	28,252.00	
	<u>\$1,230,508.92</u>	
Deduct excess of purchase price over amount represented by par value and applicable surplus of shares of subsidiary company acquired during year.....	2,757.30	
	<u></u>	
CAPITAL SURPLUS—BALANCE—JANUARY 31, 1941.....		\$1,227,751.62

EARNED SURPLUS:

Balance at February 1, 1940.....	\$2,726,020.18	
Add:		
Consolidated net profit applicable to City Stores Company for year ended January 31, 1941.....	\$1,139,961.66	
Transfer from minority interest in preferred stock of a subsidiary accrued undeclared dividends on such stock cancelled under a voluntary exchange agreement with stockholders, applicable to periods subsequent to reorganization of City Stores Company on January 31, 1935.....	35,315.00	1,175,276.66
	<u></u>	<u>\$3,901,296.84</u>

Deduct:

Loss on buildings (principally warehouses) demolished during fiscal year ended January 31, 1941 by a subsidiary company.....	\$ 217,096.47	
Less proportion applicable to minority interest.....	68,153.09	148,943.38
	<u></u>	<u></u>

EARNED SURPLUS—BALANCE—JANUARY 31, 1941.....	3,752,353.46
TOTAL SURPLUS—BALANCE—JANUARY 31, 1941.....	<u><u>\$4,980,105.08</u></u>

LIT BROTHERS, AND

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 867,373.57	
Marketable securities—at quoted market prices.....	55,250.00	
Accounts receivable—trade (including \$3,427,799.31 of installment accounts) less reserve of \$305,864.19 for doubtful.....	5,887,183.98	
Merchandise inventories—at retail less accumulated departmental mark-up.....	2,817,205.80	\$ 9,627,013.35

INVESTMENTS AND OTHER ASSETS:

Sundry investments.....	\$ 175,056.77	
Sundry accounts receivable and deposits and cash in closed banks	162,582.40	337,639.17

LAND, BUILDINGS AND EQUIPMENT—Note A:

Land.....	\$8,519,135.81	
Buildings, fixtures, equipment, etc.....	\$10,788,359.24	
Less reserves for depreciation.....	4,363,141.35	6,425,217.89
		14,944,353.70

GOOD WILL—as stated on books.....	1,046,783.23
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DEFERRED CHARGES:

Unamortized mortgage expense, inventories of supplies, prepaid insurance, taxes and expenses.....	153,913.62
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NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—An agreement in connection with issuance of these notes provides, among other things including provisions respecting net current assets, that while any of such notes are outstanding the Company will not declare or pay any dividends (other than dividends payable in stock of the Company), purchase, redeem or otherwise retire any shares of any class of its stock or make any other distribution in respect thereto, which will reduce earned surplus of the Company below \$3,000,000.00.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1941 amounted to \$2,928,091.50 of which \$1,833,660.00 is applicable to preferred stock owned by City Stores Company.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax as exemption to which this Company and its subsidiaries are entitled exceeds net income which is subject to that tax under existing law.

\$26,109,703.07

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1941

LIABILITIES

CURRENT LIABILITIES:

Notes and mortgages payable:

Bank loan installment due in 1941.....	\$ 250,000.00		
First mortgage installments due in 1941.....	134,000.00	\$	384,000.00

Accounts payable.....	1,315,011.78
Accrued salaries, wages, commissions, taxes, interest, etc.....	371,828.10
Provision for federal and state taxes on income—estimated.....	345,812.46

	\$ 2,416,652.34	
Accounts payable—affiliated companies.....	3,469.68	\$ 2,420,122.02

NOTES PAYABLE TO BANK—Note B:

Due \$250,000.00 annually 1941 to 1947.....	\$ 1,750,000.00	
Less installment included in current liabilities as above.....	250,000.00	1,500,000.00

FIRST MORTGAGES ON LAND AND BUILDINGS:

Due serially to 1945.....	\$ 6,188,000.00	
Less installments included in current liabilities as above.....	134,000.00	6,054,000.00

RESERVES FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES	448,820.94
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DEFERRED INCOME:

Unearned carrying charges on installment accounts receivable....	138,003.66
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred stock—6% cumulative—par value		
\$100.00 per share, redeemable at \$105.00		
per share:		
Authorized and issued.....	\$12,000,000.00	
Less 23,997 shares in treasury.....	2,399,700.00	\$ 9,600,300.00

Common stock—no par value:

Authorized and issued 1,000,000 shares, less		
855 shares in treasury.....	999,145.00	
	\$10,599,445.00	

Surplus—Note C:

Capital surplus.....	\$ 110,062.50		
Earned surplus.....	4,839,248.95	4,949,311.45	15,548,756.45
			<u>\$26,109,703.07</u>

CONTINGENT LIABILITY:

The Company is contesting before the U. S. Board of Tax Appeals a proposed assessment of income taxes for the fiscal year ended January 31, 1937 amounting to \$86,372.08 and interest.

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

JANUARY 31, 1941

ASSETS

CURRENT ASSETS:

Cash.....	\$ 82,944.04	
Accounts receivable—trade (including \$583,762.87 of installment accounts) less reserve of \$83,333.42 for doubtful.....	1,528,543.80	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$40,000.00.....	1,335,060.55	\$2,946,548.39

INVESTMENTS AND OTHER ASSETS:

Investment in affiliated company—book carrying amount (94 shares common stock of City Stores Company).....	\$ 470.01	
Investments in other companies.....	46,900.00	
Sundry accounts receivable and advances and cash in closed banks, less reserve of \$17,268.53.....	9,837.21	57,207.22

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:

Investment in 6,250 shares of common stock (representing 87.72% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1941 amounted to \$1,114,735.74).....	\$ 789,147.90	
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B. Lowenstein & Bros., Inc.:

Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1941 amounted to \$1,747,121.14).....	\$2,219,411.38	
Account receivable.....	131.08	2,219,542.46
		3,008,690.36

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$ 813,715.99	
Less reserves for depreciation.....	488,537.38	\$ 325,178.61
Improvements to leased properties.....	\$ 207,702.63	
Less reserve for amortization.....	128,139.42	79,563.21
		404,741.82

GOOD WILL—as stated on books.....		376,031.24
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....		70,316.72
		<u>\$6,863,535.75</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank.....	\$ 100,000.00	
Accounts payable.....	626,308.41	
Accrued salaries, taxes and expenses.....	89,635.95	
Provision for federal and state taxes on income—estimated.....	114,000.00	
	\$ 929,944.36	
Accounts payable—affiliated companies.....	105,669.70	\$1,035,614.06

NOTES PAYABLE—AFFILIATED COMPANIES:

Dividend notes—due January 28, 1943.....	199,925.00
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RESERVES FOR INSURANCE, ETC.....	6,020.99
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CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—par value \$50.00 per share:		
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00	
Surplus:		
Capital surplus.....	\$ 250,000.00	
Earned surplus.....	1,371,975.70	1,621,975.70
		5,621,975.70
		<u>\$6,863,535.75</u>

CONTINGENT LIABILITIES:

As guarantor of the following:

Notes payable of Maison Blanche Realty Company in the amount of \$250,000.00—Note B.
Customers accounts financed in the amount of \$2,746.00.

NOTE A—All gross profit and carrying charges on installment sales are taken into income accounts in year in which sales are made.

NOTE B—In connection with the guarantee of these notes the Company entered into an agreement which, among other things including provisions respecting current assets and total liabilities, provides that while any of such notes are outstanding the capital stock and surplus of the Company will not be reduced below \$4,750,000.00.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax, as exemptions available to this Company and affiliates exceed consolidated net income of such companies which is subject to that tax under existing law.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

JANUARY 31, 1941

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,239.29	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful.....	13,054.59	\$ 14,293.88

AFFILIATED COMPANY:

Account receivable—Maison Blanche Company.....	103,169.89
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OTHER ASSETS:

Sundry accounts receivable and cash in closed bank, less reserve of \$22,556.79.....	420.33
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LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land.....	\$1,170,799.79	
Buildings, fixtures, equipment, etc.....	\$2,569,563.47	
Less reserves for depreciation.....	960,191.55	1,609,371.92
		2,780,171.71

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses.....	5,948.56
	<u>\$2,904,004.37</u>

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank.....	\$ 50,000.00	
Accounts payable.....	43,664.67	
Accrued interest, taxes and wages.....	24,277.85	
Provision for federal and state taxes on income—estimated.....	13,000.00	\$ 130,942.52

NOTES PAYABLE TO BANK—Guaranteed by Maison Blanche Company:

Maturing \$50,000.00 annually on May 15 to May 15, 1943, balance due April 3, 1944.....	\$ 250,000.00	
Less note due May 15, 1941 included in current liabilities as above	50,000.00	200,000.00

FIRST MORTGAGE NOTES—4½%:

Maturing \$25,000.00 semi-annually on May 1st and November 1st, balance due May 1, 1944 (all installment payments will be postponed to maturity of mortgage if air conditioning equipment now being installed is satisfactory to mortgagee).....	1,300,000.00
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DEFERRED PAVING ASSESSMENT:

Payable in installments subsequent to January 31, 1942.....	2,263.12
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CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common—par value \$100.00 per share:		
Authorized.....	\$ 750,000.00	
Less 375 shares in treasury.....	37,500.00	\$ 712,500.00
Earned surplus—Note A.....	558,298.73	1,270,798.73
		<u>\$2,904,004.37</u>

NOTE A—Restricted in the amount of \$37,500.00 representing the par value of shares in treasury.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax, as exemptions available to this Company and affiliates exceed consolidated net income of such companies which is subject to that tax under existing law.

LOVEMAN, JOSEPH & LOEB,
And its Subsidiary Company, Home

CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 179,504.96	
Accounts receivable—trade (including \$291,555.75 of installment accounts) less reserve of \$61,760.83 for doubtful.....	856,812.60	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$60,000.00.....	647,338.17	\$1,683,655.73

INVESTMENTS AND OTHER ASSETS:

Cash surrender value of life insurance.....	\$ 38,015.08	
Investments in other companies, less reserve of \$4,622.16.....	3,116.16	
Sundry accounts receivable, etc.....	5,550.03	
Investment in affiliated company—at quoted market price (422 shares common stock of City Stores Company).....	1,055.00	47,736.27

LAND, BUILDINGS AND EQUIPMENT—Note A:

Land.....	\$ 903,521.74	
Buildings, equipment, furniture, fixtures, etc... \$1,336,873.66		
Less reserves for depreciation..... 322,478.53	1,014,395.13	1,917,916.87

GOOD WILL—as stated on books.....	800,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, interest, etc.....	40,384.11
	<u>\$4,489,692.98</u>

NOTE A—Land stated at cost paid for in capita stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

NOTE B—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1941 on the 7% cumulative preferred stock amounted to \$165,125.92.

BIRMINGHAM, ALABAMA

Furnishing Finance Corporation

BALANCE SHEET

31, 1941

LIABILITIES

CURRENT LIABILITIES:

First mortgage special principal payment and installment due August 7, 1941.....	\$ 148,000.00	
Accounts payable.....	222,269.49	
Accrued salaries, taxes and interest.....	71,297.05	
Provision for federal taxes on income—estimated.....	134,086.21	
	\$ 575,652.75	
Accounts payable—affiliated companies.....	3,005.79	\$ 578,658.54

FIRST MORTGAGE—4%:

On land, buildings and fixtures—extended to February 7, 1948; under provisions of modification agreement and in consideration of a special principal reduction of \$128,000.00 (paid February 1, 1941) and an increase from \$12,000.00 to \$20,000.00 in semi-annual installments due February 7th and August 7th beginning August 7, 1941, the interest rate was reduced from 5% to 4%.....	\$1,128,000.00	
Less amounts included in current liabilities.....	148,000.00	980,000.00

RESERVES FOR CONTINGENCIES, PENSIONS, ETC.....	151,991.35
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CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:

Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note C:			
Authorized and issued....	\$1,000,000.00		
Less 7,403 shares in treasury	740,300.00	\$ 259,700.00	

Common stock:

Authorized.....	\$2,000,000.00		
Less unissued.....	378,000.00	1,622,000.00	\$1,881,700.00

Surplus—Notes C and D:

Capital surplus.....	\$ 2,034.50		
Earned surplus.....	895,308.59	897,343.09	2,779,043.09
			\$4,489,692.98

NOTE D—Restricted in the amount of \$740,300.00 representing the par value of preferred shares held in treasury.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax on income as exemptions to which this Company and its subsidiary are entitled exceed net income which is subject to that tax under existing law.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.

BALANCE SHEET

JANUARY 31, 1941

ASSETS

CURRENT ASSETS:

Cash.....	\$	117,091.27	
Accounts receivable—trade (including \$314,246.33 of installment accounts) less reserve of \$43,000.00 for doubtful.....		888,486.05	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$30,000.00.....		763,630.62	\$1,769,207.94

INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$2,500.00.....	\$	1,164.00	
Employees and sundry accounts receivable.....		5,203.87	6,367.87

FIXTURES, EQUIPMENT AND IMPROVEMENTS—At Cost:

Store and office fixtures and equipment.....	\$	1,104,024.13	
Less reserves for depreciation.....		656,856.43	\$ 447,167.70
Improvements to leased property.....	\$	118,308.33	
Less reserve for amortization.....		47,095.58	71,212.75
			518,380.45

GOOD WILL—as stated on books.....			150,000.00
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes and expenses....			23,691.53
			<u>\$2,467,647.79</u>

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank.....	\$	17,000.00	
Accounts payable.....		406,412.36	
Accrued salaries, taxes and expenses.....		41,835.70	
Provision for federal taxes on income—estimated.....		45,100.00	
	\$	510,348.06	
Accounts payable—affiliated companies.....		2,798.92	\$ 513,146.98

NOTES PAYABLE TO BANK—Note B:

Due \$17,000.00 annually 1941 to 1944.....	\$	68,000.00	
Less installment included in current liabilities as above.....		17,000.00	51,000.00

RESERVES:

For plate glass and parcel post losses.....			6,379.67
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CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common stock—no par value; declared value \$100.00 per share:			
Authorized 15,000 shares; 11,450 shares issued.....		\$1,145,000.00	
Surplus:			
Capital surplus.....	\$	414,719.33	
Earned surplus (since October 1, 1938).....		337,401.81	752,121.14
			1,897,121.14
			<u>\$2,467,647.79</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—An agreement in connection with the issuance of these notes provides, among other things including provisions respecting net current assets, that while any of such notes are outstanding the capital stock and surplus of the Company will not be reduced below \$1,500,460.28.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income. No provision is required for federal excess profits tax, as exemptions available to this Company and affiliates exceed consolidated net income of such companies which is subject to that tax under existing law.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1941

(After giving effect to voluntary exchange agreement with stockholders
subsequently declared operative as outlined in Note D)

ASSETS

CURRENT ASSETS:

Cash.....	\$	50,389.46	
Accounts receivable—trade (including \$119,739.60 of installment accounts) less reserve of \$15,000.00 for doubtful.....		432,062.00	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$11,000.00.....		362,611.48	\$ 845,062.94

INVESTMENTS AND OTHER ASSETS:

Investments in other companies.....	\$	503.00	
Employee and sundry accounts receivable.....		1,135.49	1,638.49

LAND, EQUIPMENT AND IMPROVEMENTS:

Real estate and building—at cost.....	\$	1,424.05	
Less reserve for depreciation.....		329.40	\$ 1,094.65
Furniture, fixtures, and equipment, etc.—Note B.....		\$205,088.62	
Less reserve for depreciation.....		70,108.18	134,980.44
Improvements to leased buildings—Note B....		\$147,519.80	
Less reserve for amortization.....		28,628.64	118,891.16
			254,966.25

GOOD WILL—as stated on books.....			419,343.80
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, and expenses....			18,235.35
			<u>\$1,539,246.83</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including \$3,667.17 equipment notes.....	\$	233,276.64	
Accrued salaries, taxes and expenses.....		25,439.68	
Provision for federal and state taxes on income—estimated.....		14,500.00	
	\$	273,216.32	
Accounts payable—affiliated companies.....		4,774.44	\$ 277,990.76

CAPITAL STOCK AND SURPLUS:

Capital stock—Note D:			
Preferred stock—7% cumulative—par value \$100.00 per share—Note C:			
Authorized and issued—47 shares.....	\$	4,700.00	
Preferred stock—5% cumulative—par value \$100.00 per share:			
Authorized 2,422 shares; to be issued 2,375 shares.....		237,500.00	
Common stock—par value \$100.00 per share:			
Authorized and to be issued—8,000 shares.....		800,000.00	\$1,042,200.00
Surplus:			
Capital surplus—Note D.....		\$176,974.96	
Earned surplus since February 1, 1940—			
Note C.....		42,081.11	219,056.07
			1,261,256.07
			<u>\$1,539,246.83</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—Stated at sound values as determined in January 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1941 on the 7% cumulative preferred stock amounted to \$3,290.00 and on 5% cumulative preferred stock to \$5,937.50.

NOTE D—The above balance sheet gives effect to a voluntary exchange agreement with stockholders dated July 8, 1940, declared operative and effective by the Board of Directors on March 28, 1941, under which the outstanding capital stock of the Company was changed and reduced from \$1,498,900.00 to \$1,042,200.00, and the resulting capital reduction was designated as capital surplus against which an accumulated deficit in the amount of \$279,725.04 at January 31, 1940 has been applied in accordance with resolution of the Board. All accumulated unpaid and undeclared dividends on \$494,200.00 par value of 7% cumulative preferred stock exchanged under the agreement have been cancelled.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax as exemption to which this Company and its subsidiary are entitled exceeds net income which is subject to that tax under existing law.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

JANUARY 31, 1941

ASSETS

CURRENT ASSETS:		
Cash.....		\$ 6,412.15
AFFILIATED COMPANIES:		
Investments:		
In preferred stock of Kaufman-Straus Company, Inc.—1,366 shares—at cost (pledged as collateral to note payable).....	\$68,300.00	
In common stock of Maison Blanche Company—34 shares—at cost.....	5,140.00	\$ 73,440.00
Dividend note of affiliated company due January 28, 1943.....	10.00	
Accounts receivable.....	16,416.79	89,866.79
OTHER ASSETS:		
Employee and sundry accounts receivable.....		501.83
EQUIPMENT—NOTE A:		
Furniture and fixtures.....	\$ 24,446.23	
Less reserve for depreciation.....	19,885.41	4,560.82
DEFERRED CHARGES:		
Prepaid insurance, tax and sundry expenses.....		913.87
		<u>\$102,255.46</u>

LIABILITIES

CURRENT LIABILITIES:		
Note payable to bank (collateral 1,366 shares preferred stock of Kaufman-Straus Company, Inc.)—Note B.....	\$ 60,000.00	
Accounts payable.....	3,930.24	
Accrued interest, tax and expenses.....	1,013.93	
	\$64,944.17	
Account payable—affiliated company.....	7,909.30	\$ 72,853.47
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares; issued and outstanding 250 shares...	\$ 25,000.00	
Paid-in surplus.....	4,401.99	29,401.99
		<u>\$102,255.46</u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost; less provision for accruing depreciation.

NOTE B—Note payable to bank is guaranteed by City Stores Company.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income. No provision is required for federal excess profits tax, as exemptions available to this Company and affiliates exceed consolidated net income of such companies which is subject to that tax under existing law.

PAID-IN SURPLUS

YEAR ENDED JANUARY 31, 1941

BALANCE AT JANUARY 31, 1940 AND JANUARY 31, 1941.....	\$ 4,401.99
No change during year.	

INCOME AND EXPENSES

YEAR ENDED JANUARY 31, 1941

INCOME:		
Payments by subsidiary companies of City Stores Company for buying services.....	\$105,669.45	
Other.....	6,000.00	\$111,669.45
EXPENSES (net)		
Transferred to City Stores Company.....	\$112,467.25	
	797.80	111,669.45
BALANCE.....		<u>\$ — 0 —</u>

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

JANUARY 31, 1941

ASSETS

ACCOUNT RECEIVABLE:

Affiliated company \$ 109.40

LAND—Note A 50,000.00

\$50,109.40

LIABILITIES

CURRENT LIABILITIES:

Real estate taxes \$ 327.15

Federal capital stock tax 1.10 \$ 328.25

CAPITAL:

Capital stock—par value \$100.00 per share:

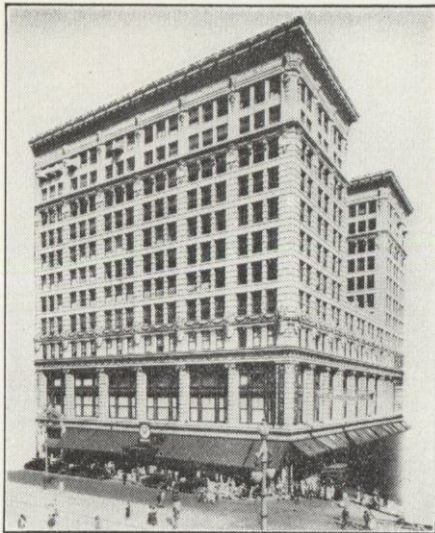
Authorized and issued 500 shares \$50,000.00

Earned surplus (deficit) (218.85) 49,781.15

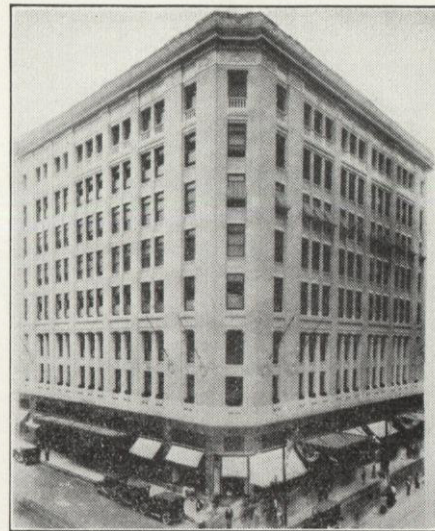
\$50,109.40

NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as of January 31, 1934.

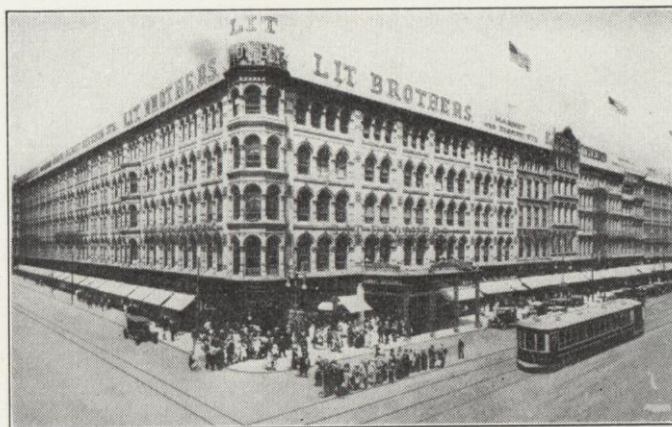
NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income. No provision is required for federal excess profits tax, as exemptions available to this Company and affiliates exceed consolidated net income of such companies which is subject to that tax under existing law.



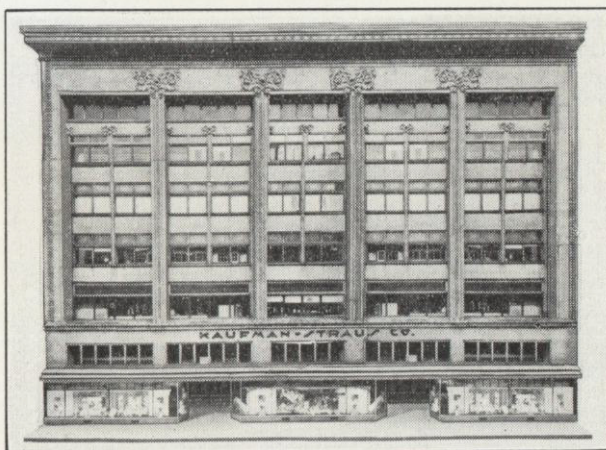
MAISON BLANCHE COMPANY
NEW ORLEANS, LA.



B. LOWENSTEIN & BROS., INC.
MEMPHIS, TENN.



LIT BROS.—PHILADELPHIA, PA.



KAUFMAN-STRAUS CO., INC., LOUISVILLE, KY.



LOVEMAN, JOSEPH & LOEB—BIRMINGHAM, ALA.

